

REPORT FOLLOW-UP

AGENCY: DEPARTMENT OF WATER RESOURCES

On October 18, 2005, the Legislative Services Office released a *Management Report on Internal Control* for the Idaho Department of Water Resources for fiscal years 2002, 2003, and 2004. The Department was contacted on January 25, 2006, and this follow-up report addresses how the Department has responded to the one finding and recommendation contained in that report.

STATUS OF RECOMMENDATIONS:

FINDING #1 – Controls over the Department's energy loan program were not adequate. The Department provides financial assistance by making low-interest loans to individuals and organizations for programs and projects that result in the conservation of energy or the utilization of renewable resources. The following described some of the control weaknesses with the loan program which may have been attributable to the lack of management reports.

1. One employee was responsible for approving loan disbursements, establishing account receivables, making adjustments to receivable balances, receiving payments, posting payments, and completing reconciliations.
2. Loan-receivable balances from the Department's loan accounting system did not agree with balances recorded in the State's accounting system (STARS) during the audit period, even after the Department made adjustments totaling \$86,000. Some adjustments were not properly made, and the Department did not have documentation to support other adjustments.
3. The Department had an unexplained receivable balance of \$2,196 in one of its energy loan funds that had not changed over a three-year period.
4. Local banks state that they reviewed the credit worthiness of energy loan applicants in accordance with guidelines provided by the Department. However, the Department had not provided any credit guidelines to the banks.

We recommended that the Department review its loan program and consider the need for reports that will help it manage the program. We also recommended that the Department improve internal controls and accounting procedures by:

1. **Reviewing accounting duties and separating them accordingly to improve internal control.**
2. **Keeping documentation to support adjustment transactions and ensuring they are properly recorded.**
3. **Researching receivable balances and taking necessary action to ensure they are properly resolved.**
4. **Providing credit guidelines for banks to follow when approving energy loans, or changing the wording on the loan application.**

AUDIT FOLLOW-UP – The Department has taken steps to correct the control weaknesses in the loan program by :

1. Modifying loan program software and assigning staff new duties to segregate loan activities.
2. Reconciling loan receivable balances to STARS.
3. Removing the unexplained receivable balance of \$2,196 in STARS.
4. Providing credit guidelines for banks to follow when approving energy loans.

STATUS: CLOSED